

Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Edwardsburg Joint Fire Board	County Cass
Audit Date March 31, 2004	Opinion Date June 24, 2004	Date Accountant Report Submitted to State: June 24, 2004	

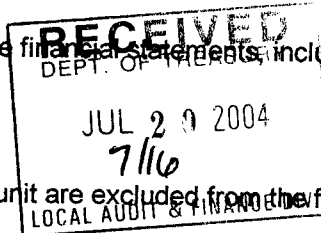
We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.



- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature Campbell, Kusterer & Co., P.C.		Zip 48707	

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

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INDEPENDENT AUDITOR'S REPORT

June 24, 2004

To the Fire Board
Edwardsburg Joint Fire Board
Cass County, Michigan

We have audited the accompanying general purpose financial statements of the Edwardsburg Joint Fire Board, Cass County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Edwardsburg Joint Fire Board's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Edwardsburg Joint Fire Board, Cass County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Type</u>	<u>Account Group</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>General Fixed Assets</u>	
<u>Assets</u>			
Cash in bank	90 384 32	-	90 384 32
Due from other units	141 876 41	-	141 876 41
Land and improvements	-	32 235 00	32 235 00
Buildings and improvements	-	55 820 58	55 820 58
Vehicles	-	1 001 992 00	1 001 992 00
Equipment	-	113 688 72	113 688 72
Total Assets	<u>232 260 73</u>	<u>1 203 736 30</u>	<u>1 435 997 03</u>
<u>Liabilities and Fund Equity</u>			
Liabilities	-	-	-
Total liabilities	-	-	-
Fund equity:			
Investment in general fixed assets	-	1 203 736 30	1 203 736 30
Fund balances:			
Unreserved:			
Designated for capital outlay	11 532 58	-	11 532 58
Undesignated	220 728 15	-	220 728 15
Total fund equity	<u>232 260 73</u>	<u>1 203 736 30</u>	<u>1 435 997 03</u>
Total Liabilities and Fund Equity	<u>232 260 73</u>	<u>1 203 736 30</u>	<u>1 435 997 03</u>

The accompanying notes are an integral part of these financial statements.

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
Year Ended March 31, 2004

EXHIBIT B

	Total (Memorandum Only) Governmental Fund Type General
Revenues:	
Township of Ontwa	141 876 41
Township of Jefferson	42 893 00
Township of Milton	28 071 00
Interest	2 630 73
Miscellaneous	758 95
Total revenues	216 230 09
Expenditures:	
Fire protection:	
Wages	14 500 00
Contracted services	11 700 00
Payroll taxes	1 109 25
Professional services	1 400 00
Training	1 450 42
Utilities	4 260 07
Telephone	1 147 65
Gas and oil	1 092 05
Supplies	22 910 33
Repairs and maintenance	4 309 16
Insurance	19 772 21
Miscellaneous	50 68
Capital outlay	270 354 64
Total expenditures	354 056 46
Excess of revenues over expenditures	(137 826 37)
Fund balance, April 1	370 087 10
Fund Balance, March 31	232 260 73

The accompanying notes are an integral part of these financial statements.

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND EXHIBIT C
Year Ended March 31, 2004

	General Fund		Over (Under) Budget
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Township of Ontwa	136 680 63	141 876 41	5 195 78
Township of Jefferson	43 179 00	42 893 00	(286 00)
Township of Milton	28 071 00	28 071 00	-
Interest	-	2 630 73	2 630 73
Miscellaneous	-	758 95	758 95
Total revenues	<u>207 930 63</u>	<u>216 230 09</u>	<u>8 299 46</u>
Expenditures:			
Fire protection:			
Wages	14 765 00	14 500 00	(265 00)
Contracted services	14 000 00	11 700 00	(2 300 00)
Payroll taxes	1 200 00	1 109 25	(90 75)
Professional services	6 344 25	1 400 00	(4 944 25)
Training	4 000 00	1 450 42	(2 549 58)
Utilities	4 260 07	4 260 07	-
Telephone	1 500 00	1 147 65	(352 35)
Gas and oil	1 500 00	1 092 05	(407 95)
Supplies	23 794 96	22 910 33	(884 63)
Repairs and maintenance	14 210 09	4 309 16	(9 900 93)
Insurance	22 000 00	19 772 21	(2 227 79)
Miscellaneous	558 38	50 68	(507 70)
Capital outlay	<u>273 649 63</u>	<u>270 354 64</u>	<u>(3 294 99)</u>
Total expenditures	<u>381 782 38</u>	<u>354 056 46</u>	<u>(27 725 92)</u>
Excess (deficiency) of revenues over expenditures	(173 851 75)	(137 826 37)	36 025 38
Fund balance, April 1	<u>359 218 70</u>	<u>370 087 10</u>	<u>10 868 40</u>
Fund Balance, March 31	<u>185 366 95</u>	<u>232 260 73</u>	<u>46 893 78</u>

The accompanying notes are an integral part of these financial statements.

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Edwardsburg Joint Fire Board, Cass County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The Edwardsburg Joint Fire Board is comprised of the Townships of Jefferson, Milton, and Ontwa and the Village of Edwardsburg. The Board was created to provide fire protection primarily to these governmental units. The Board, which consists of members appointed by their respective local units, operates independently from its supporting units, and maintains control of all amounts collected, as well as all other acquired assets.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Fund

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from intergovernmental revenues.

Account Group

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting (continued)

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of payments from other local units. Payments from other local units are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Fixed Assets

Purchases of general fixed assets are recorded as expenditures in their respective funds at the time of purchase. Such assets are capitalized at cost in the General Fixed Assets Group of Accounts.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Fire Board. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventory is considered to be immaterial and is not recorded.

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Fire Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Fire Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Fire Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Fire Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Fire Board provides no postemployment benefits to past employees.

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Fire Board to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Fire Board has designated one bank for the deposit of Fire Board funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Fire Board's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>90 384 32</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>5 342 92</u>
Total Deposits	<u>105 342 92</u>

The Edwardsburg Joint Fire Board did not have any investments as of March 31, 2004.

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land and improvements	32 235 00	-	-	32 235 00
Buildings and improvements	55 820 58	-	-	55 820 58
Vehicles	744 968 00	257 024 00	-	1 001 992 00
Equipment	<u>100 358 08</u>	<u>13 330 64</u>	<u>-</u>	<u>113 688 72</u>
Totals	<u>933 381 66</u>	<u>270 354 64</u>	<u>-</u>	<u>1 203 736 30</u>

Note 4 – Deferred Compensation Plan

The Fire Board does not have a deferred compensation plan.

Note 5 – Pension Plan

The Fire Board does not have a pension plan.

Note 6 – Risk Management

The Fire Department is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Fire Department has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 7 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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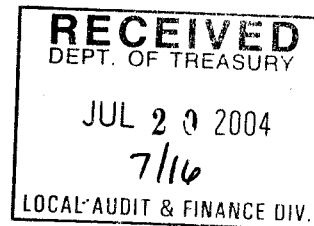
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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 24, 2004

To the Fire Board
Edwardsburg Joint Fire Board
Cass County, Michigan



We have audited the financial statements of the Edwardsburg Joint Fire Board, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Edwardsburg Joint Fire Board in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Fire Board
Edwardsburg Joint Fire Board
Cass County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Fire Board
Edwardsburg Joint Fire Board
Cass County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Edwardsburg Joint Fire Board will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Fire Board will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Fire Board's financial statements and this communication of these matters does not affect our report on the Fire Board's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer : Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants